

State of Mobile Commerce.

Q1 2015



MARCH 2015

Executive Summary

Mobile commerce is growing like a weed. Mobile is now 29% of eCommerce transactions in the US and 34% globally.



Mobile shopping trends eCommerce marketers need to consider:



- US mobile transactions grew 10% in the last 3 months: Growth continues across all retail categories, especially with top quartile retailers.
- It's all about smartphones: In most countries, including the US, smartphones are now the majority of mobile transactions.
- There is no limit: For the first time, Japan and South Korea had over 50% of their eCommerce transactions via mobile.
- Consumers view the same number of products on smartphone and desktop sites: Lower mobile conversion rates in the US are due to weaknesses in turning this browsing into completed purchases.



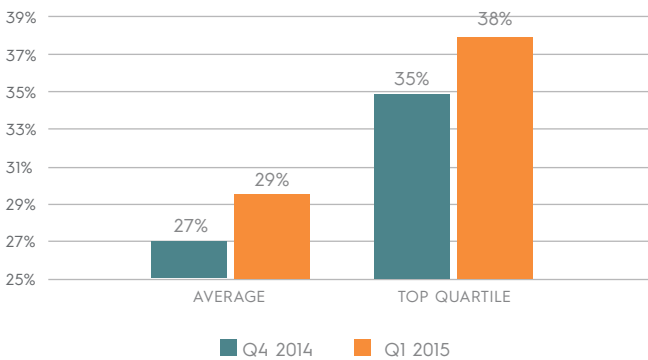
Methodology - This report's findings come from individual transaction level-data sourced solely from Criteo, based on a selection of around 3,000 online retail and travel businesses globally that have approximately 1.4 billion transactions per year on their desktop and mobile sites, resulting in approximately \$160 billion worth of annual sales. The data analyzed is for consumer browsing and shopping behavior in Jan-Feb 2015, across desktop and mobile (smartphone + tablet) devices including iPhone, iPad, and Android smartphones and tablets.

Mobile Commerce in this report excludes NFC/proximity payments.

The 3 key US mobile shopping trends

#1 Mobile transactions grew 10% in the last 3 months

Mobile Share of eCommerce Transactions



MOBILE SHARE OF ECOMMERCE TRANSACTIONS GREW 10% IN THE LAST 3 MONTHS

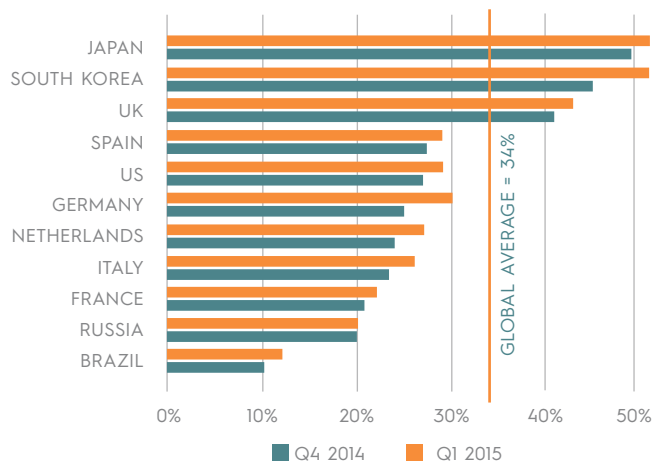
In Q4 2014, mobile accounted for 27% of retail eCommerce transactions in the US. In Q1 2015, that figure has risen to reach almost 30%.

Mobile share of eCommerce transactions for the top quartile retailers has increased to 38% in Q1 2015.

US, Q1 2015

Note - Top quartile consists of retailers with the highest share of mobile transactions.

Mobile Share of eCommerce Transactions, by Country



ECOMMERCE IS NOW OVER ONE THIRD OF GLOBAL ECOMMERCE

mCommerce is now 34% of all eCommerce transactions globally, based on an accurate weighting of eCommerce market size by country.

Mobile share is slightly lower in the US than the global average, with 29% of eCommerce transactions coming from mobile devices.

For the first time ever, Japan and South Korea had the majority of their eCommerce transactions via mobile in Q1 2015.

The 3 key US mobile shopping trends

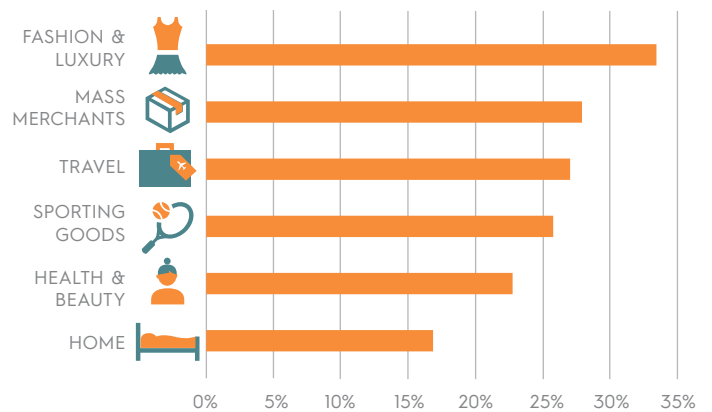
#1 Mobile transactions grew 10% in the last 3 months (cont.)

MOBILE NOW GENERATES OVER 20% OF SALES IN ALL RETAIL VERTICALS EXCEPT "HOME"

Fashion and Luxury retailers have the highest share of mobile transactions, with Mass Merchants as a close second.

In contrast, the share of mobile transactions are low in the Home category, which includes home improvement and interior design products. While these are less "impulse" purchases, we often find conversion rates are driven more by the quality of the mobile site experience.

Mobile Share of eCommerce Transactions, by Category



US, Q1 2015

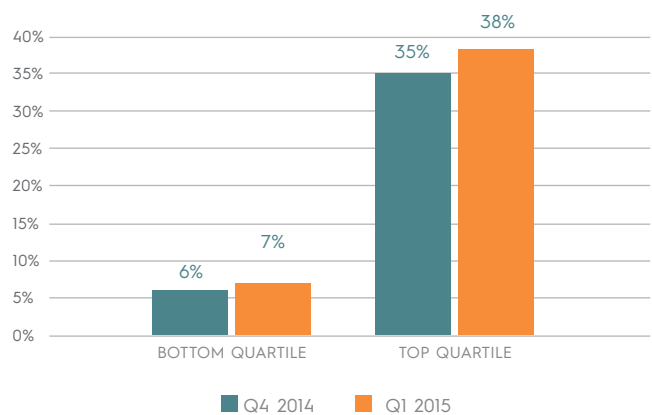
INCREASING GAP BETWEEN TOP AND BOTTOM QUARTILES

The move to eCommerce is repeating itself: leaders are seeing a very rapid growth in mCommerce, while laggards appear to be stagnant.

As a result, the gap between the top and bottom quartile is widening. The US top quartile saw dramatic growth in just the last 3 months, and the experience of Japan demonstrates that this can continue to grow rapidly.

The bottom quartile have grown only 1 percentage point, and should be addressing weaknesses in their mobile proposition as a major risk to their business. Often this requires site optimization and much more mobile-focused marketing.

Mobile Share of eCommerce Transactions, Top vs Bottom Quartile



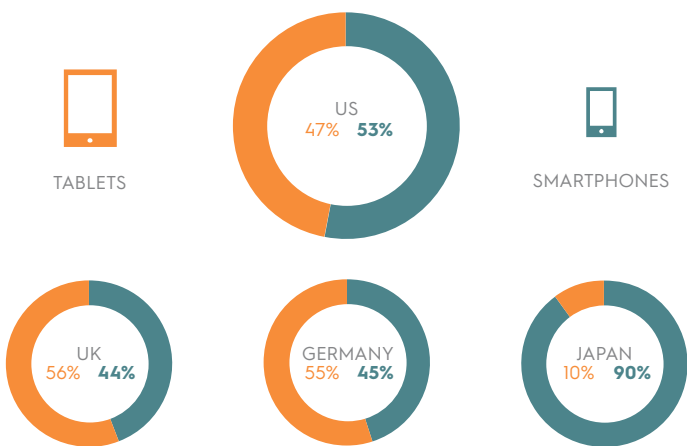
US, Q1 2015

Note -Top quartile consists of retailers with the highest share of mobile transactions, and bottom quartile consists of retailers with the lowest share of mobile transactions.

The 3 key US mobile shopping trends

#2 It's all about smartphones

Smartphone vs. Tablet Share of Mobile Transactions



SMARTPHONES NOW BRING THE MAJORITY OF US MOBILE SALES

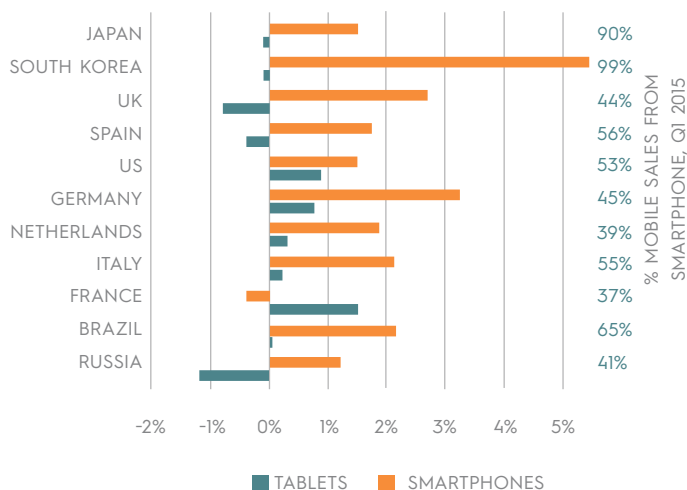
The majority of mobile transactions in the US come from smartphones, more than the share of smartphone transactions in the UK and Germany.

Even though the conversion rates on smartphone are lower than desktop or tablet, smartphones generate more transactions due to significantly higher traffic.

With the introduction of larger screen sizes, such as with the iPhone 6 and Samsung Galaxy, consumers are finding smartphones a convenient way to complete purchases.

Smartphone share of mobile transactions will continue to grow. Japan demonstrates just how high it can go.

Smartphone and Tablet Growth of eCommerce Transactions (Q4 2014 - Q1 2015)



MOBILE GROWTH IS DRIVEN BY SMARTPHONES GLOBALLY

Over the last quarter, smartphone growth outpaced tablet.

In the US and most other countries, smartphones represent more mobile transactions than tablets.

Asia leads the way in smartphone purchases, with nearly all mobile purchases occurring on smartphones.

The 3 key US mobile shopping trends

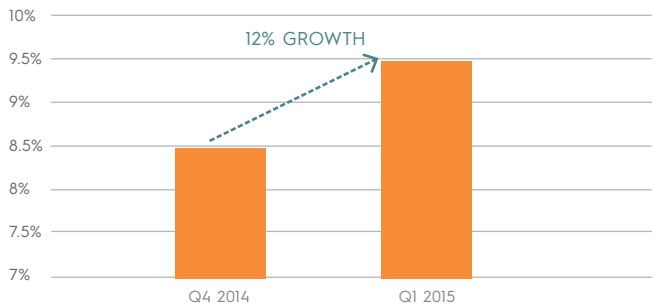
#2 It's all about smartphones (cont.)

GROWTH OF MCOMMERCE ON IPHONE IS EVEN FASTER THAN ON OTHER DEVICES

iPhone share of ecommerce transactions has grown 12% over the last quarter.

As a result, almost 10% of all US eCommerce transactions took place on an iPhone in Q1 2015.

iPhone Share of eCommerce Transactions



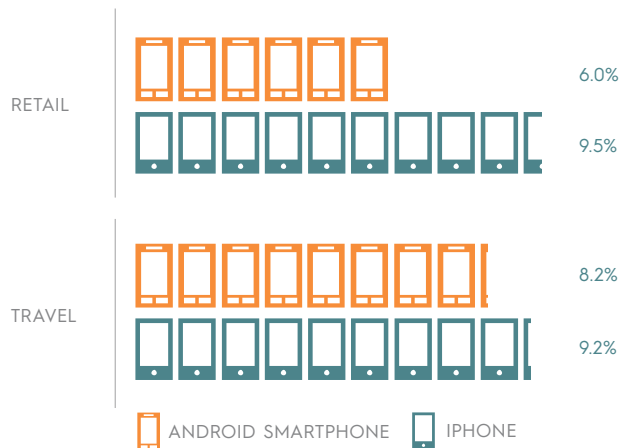
US, Q1 2015

ANDROID MCOMMERCE REMAINS SIGNIFICANT AND CONTINUES TO GROW

Android smartphones account for 6% of eCommerce transactions in retail, and 8% in travel.

Apple continues to dominate on tablets. iPad generates 11% of retail transactions vs. only 2% from Android tablets

iPhone and Android Smartphone Share of eCommerce Transactions

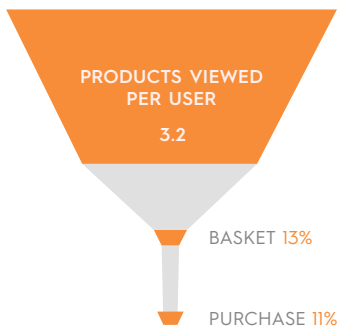


US, Q1 2015

The 3 key US mobile shopping trends

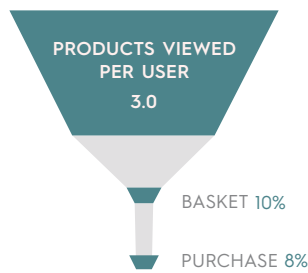
#3 The mobile conversion funnel has arrived

Desktop Funnel



4.55% CONVERSION RATE

Smartphone Funnel



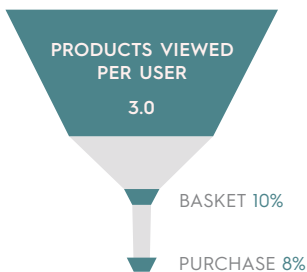
2.46% CONVERSION RATE

IN THE US, MOBILE CONVERSION FUNNEL LOOKS SIMILAR TO DESKTOP BUT WITH WEAKER COMPLETION RATES

Consumers tend to view the same number of products on smartphone and desktop.

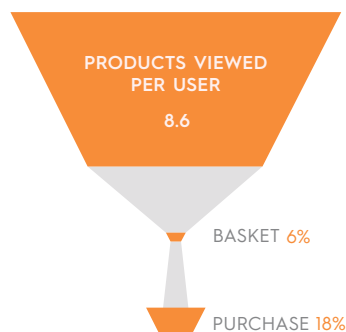
Add-to-basket rate and purchase rate are lower on mobile. This suggests that completing a purchase is often not sufficiently simple.

US Smartphone Funnel



2.46% CONVERSION RATE

Japan Smartphone Funnel



9.35% CONVERSION RATE

IN MORE MATURE MARKETS, MOBILE FUNNEL LOOKS COMPLETELY DIFFERENT FROM DESKTOP

In Japan, shoppers view 3x more products on smartphone than the US: mobile is delivering a much more engaging browsing experience.

Purchase completion in Japan is more than twice the level of the US. This demonstrates weaknesses with mobile payment in the US that will likely be solved as the market matures.

As a result, Japan has almost 4X the conversion rate on smartphones than the US, even with Japan's lower add-to-basket rate.

Conversion Rate = (No. of Sales) / (No. of Users)
Users include those with more than a single event on the websites.
Each time a visitor sees a web page, adds a product to the basket, or makes an online payment, etc., it is counted as an event.

The 3 key US mobile shopping trends

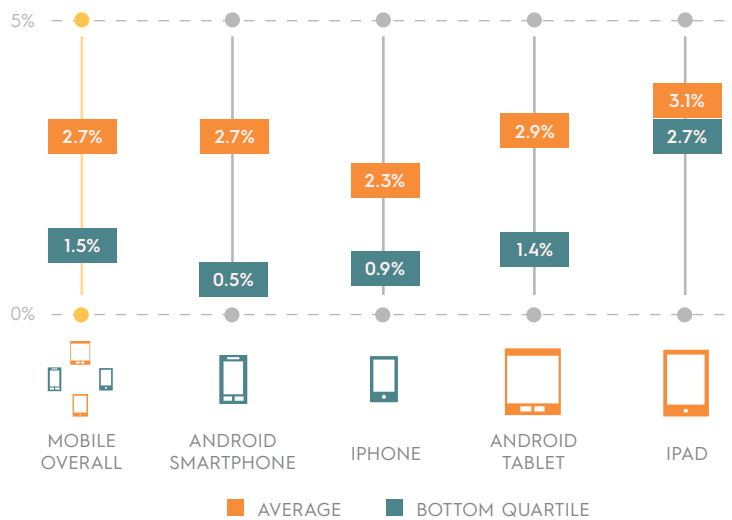
#3 The mobile conversion funnel has arrived (cont.)

LOW CONVERSION RATES FOR RETAILERS INDICATE A MISSED OPPORTUNITY.

Mobile at 2.7% still has lower conversion than desktop at 4.4%. Variations in conversion rate between mobile devices are no longer very high.

Top-quartile retailers see a slightly higher conversion rate than average, but the striking observation is the very low conversion rates from bottom-quartile retailers.

Mobile Retail Conversion Rates



US, Q1 2015

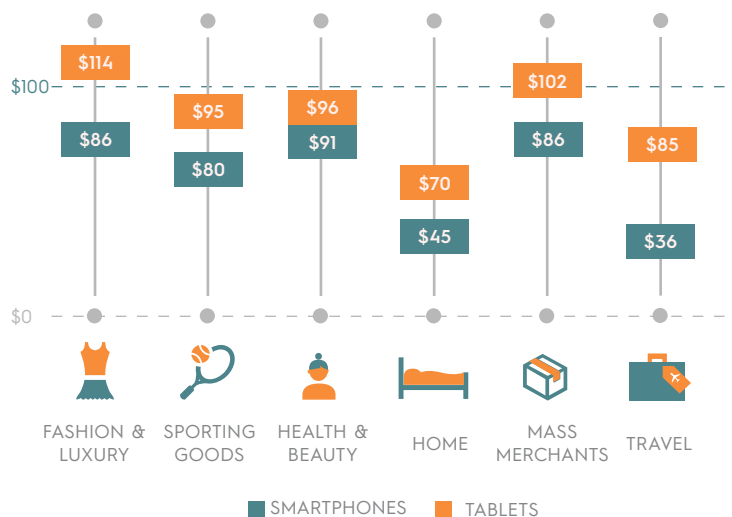
MOBILE AVERAGE ORDER VALUE IS CLOSE TO DESKTOP

Consumers are especially comfortable buying on tablets, and order values on tablets have surpassed desktop in many categories.

Smartphone order values are close to desktop for both the Health & Beauty and Mass Merchants categories. Products for these categories are low-cost and drive repeat purchases, lending themselves well to smartphone convenience.

Travel smartphone order value reflects the growth of a whole new segment of "same night" hotel booking.

Mobile Order Values Compared to \$100 Spent on the Desktop

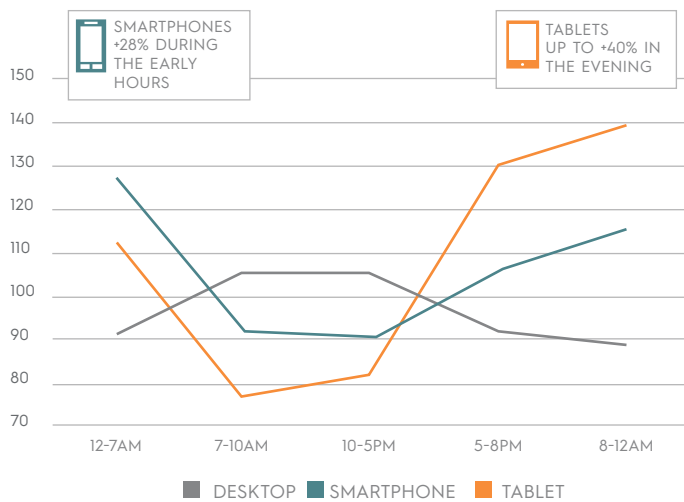


US, Q1 2015

The 3 key US mobile shopping trends

#3 The mobile conversion funnel has arrived (cont.)

% Mobile Transactions by Device and Time of Day



DESKTOP IS INCREASINGLY JUST FOR WORKING HOURS

Desktop purchases tend to happen during work times and shoppers switch to mobile during leisure time.

Smartphones are popular during the early hours in the morning, with 28% more purchases occurring.

Tablets are more popular during the evenings, with 40% higher transactions.

US, Q1 2015 indexed: 100 = average share over day

Global mobile commerce trends

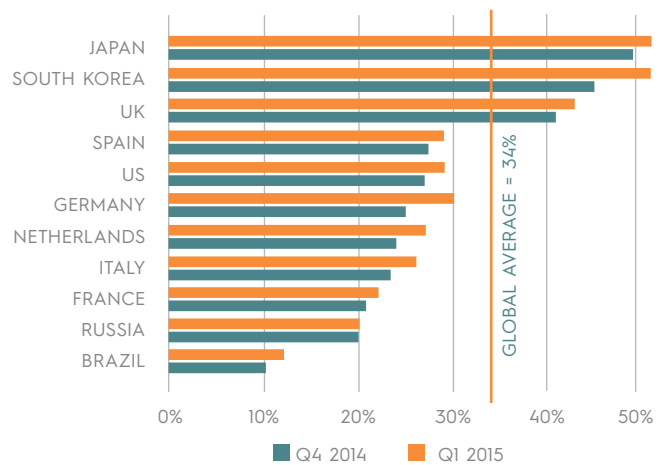
JAPAN AND SOUTH KOREA SURPASSED 50% MOBILE SHARE IN Q1 2015

Japan, South Korea and the UK are the most advanced markets for mobile shopping.

Mobile share of eCommerce is now over 50% in Japan and South Korea, and more than 40% in the UK.

Mobile transaction growth from Q4 2014 to Q1 2015 is significant across the globe, ranging from 10% in the US to 16% in Germany.

Mobile Share of Retail eCommerce Transactions

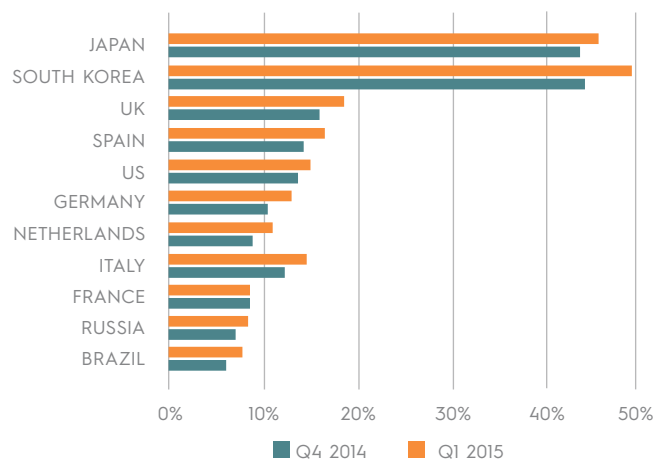


SMARTPHONE IS BECOMING THE DOMINANT MOBILE CHANNEL WORLDWIDE

Asia leads the way in smartphone purchases with close to 50% of eCommerce transactions happening on smartphones.

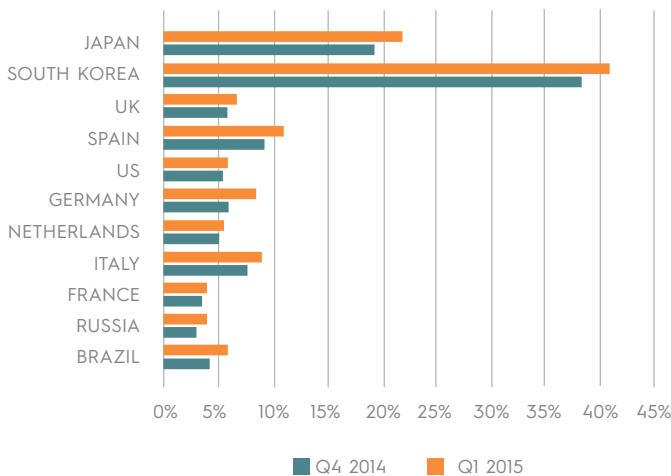
In Western markets, smartphone share has grown over 10% in the last 3 months.

Smartphone Share of Retail eCommerce Transactions



Global mobile commerce trends (cont.)

Android Smartphone Share of Retail eCommerce Transactions

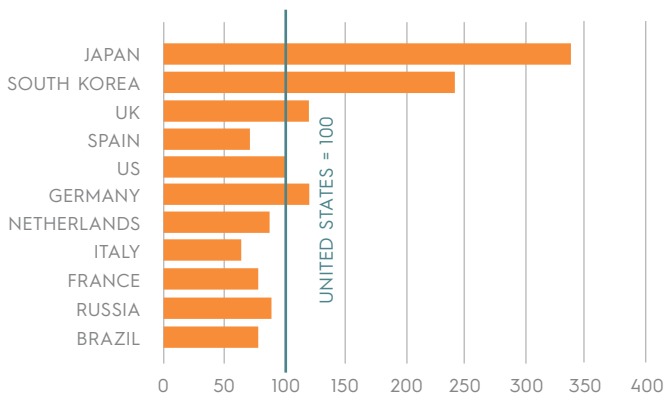


ANDROID SMARTPHONE SHARE HAS GROWN ACROSS ALL COUNTRIES GLOBALLY

Android delivers a significant share of smartphone transactions across the globe, greater than iPhone in Germany, Italy, Spain, Brazil and South Korea.

Share of transactions from iPhone is higher than Android only in the US, UK and Japan.

Retail Mobile Conversion Rates Compared to the US



MOST COUNTRIES HAVE SIMILAR MOBILE CONVERSION TO US, EXCEPT IN ASIA

Only Japan, South Korea, UK and Germany outperform the US in mobile conversion.

Mobile conversion rates in Japan are more than 3.5x than the US.

If US conversion rates matched Japan, then mobile would deliver over half of all US eCommerce today.

Conversion Rate = (No. of Sales) / (No. of Users)
 Users include those with more than a single event on the websites.
 Each time a visitor sees a web page, adds a product to the basket, or makes an online payment, etc., it is counted as an event.

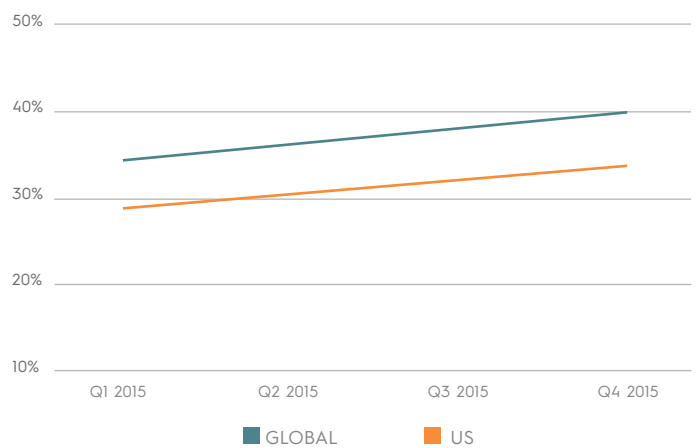
What will the future look like?

US MOBILE TRANSACTIONS TO GROW ANOTHER 10% BY END OF YEAR

US mobile transactions are forecast to reach 33% by the end of 2015.

Globally, mobile share of eCommerce is forecast to grow from 34% in Q1 2015 to 40% by the end of the year.

Forecast of Mobile Share of eCommerce Transactions



MCOMMERCE WILL BE 40% OF ECOMMERCE BY END OF 2015

Japan is forecast to surpass 60% of eCommerce on mobile by the end of the year.

The US and Europe will continue to have strong growth in mobile transactions, but will remain well behind Asian levels of penetration.

Share of Mobile Transactions, by Country

	Q1 2015	Q4 2015 (forecast)
JAPAN	51%	61%
SOUTH KOREA	50%	57%
UK	43%	45%
SPAIN	29%	36%
US	29%	33%
GERMANY	30%	37%
NETHERLANDS	27%	30%
ITALY	26%	29%
FRANCE	22%	28%
BRAZIL	12%	20%
GLOBAL	34%	40%

So what does the future hold?

We see five big trends:



Growth in mobile commerce is unstoppable. By year-end, mobile share of eCommerce transactions is forecast to reach 33% in the US, and 40% globally.



Smartphones will continue to displace slower-growing tablets. Phones with larger screens will be an added accelerant to this existing trend.



The smartphone conversion funnel is different: Advertisers in western markets will focus heavily on improving their mobile websites, leading to dramatic increases in product browsing. Purchase rates will also improve as mobile payments become more seamless.



Apple and Android continue to battle it out, but both are winners versus a shrinking desktop.



Understanding cross-device behavior will be the biggest challenge and opportunity for marketers in 2015, as a majority of users visit their sites via multiple devices.

About Criteo.

Criteo delivers personalized performance marketing at an extensive scale. Measuring return on post-click sales, Criteo makes ROI transparent and easy to measure. Criteo has over 1,300 employees in 23 offices across the Americas, Europe and Asia-Pacific, serving over 7,000 advertisers worldwide with direct relationships with over 9,000 publishers.

Criteo ads reach 1 billion unique Internet users (comScore, December 2014).

For more information, please visit www.criteo.com.

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